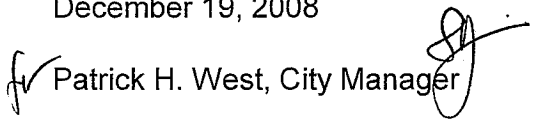



City of Long Beach
Working Together to Serve

Memorandum

Date: December 19, 2008

To:  Patrick H. West, City Manager

From: Lori Ann Farrell, Director of Financial Management 

For: Members of the Budget Oversight Committee

Subject: December 22, 2008 Budget Oversight Committee Meeting Agenda

At the request of the Budget Oversight Committee (BOC), the following information is attached for discussion:

1. Minutes of the Budget Oversight Committee for the meeting of September 9, 2008 (Provided by the City Clerk);
2. Fiscal Year 2008 Year-End Report Review
3. Fiscal Year 2009 1st Quarter Budget Strategies (Attachments A and B)
4. Discussion of Reduced Contracting Authority
5. Fiscal Year 2010 Budget Development Principles (Attachment C)
6. Advanced Life Support/Basic Life Support (ALS/BLS) Billing
7. Request Public Works evaluate the feasibility of contracting out traffic signal maintenance.

CC: MAYOR AND MEMBERS OF THE CITY COUNCIL
SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
ALL DEPARTMENT HEADS



City of Long Beach
Working Together to Serve

Memorandum

Date: December 9, 2008 *PL West*
To: Patrick H. West, City Manager
From: Lori Ann Farrell, Director of Financial Management/CFO *LA*
For: City Manager Department Heads
Subject: Fiscal Year 2009 Budget Balancing Strategies

Economic Outlook

Due to the extraordinary economic declines impacting federal, State and local governments, I provided a memorandum entitled *Economic Impacts on Fiscal Year 2009 Budget* less than a month into the fiscal year outlining several budget measures that would be implemented immediately to maintain our balanced fiscal position in the General Fund and to ensure we can continue to provide core municipal services to the community.

The measures outlined in the October 23, 2008 memo included depositing all unbudgeted one-time revenues into the Budget Stabilization Fund, placing all budgeted one-time expenditures on-hold, accelerating FY 09 efficiency efforts, exploring the possibility of an employee furlough and maintaining cost saving measures implemented in early FY 08. At that time, less than one month into the fiscal year, the delineated budget tightening measures would provide potential solutions of approximately \$14 million to mitigate estimated General Fund revenue shortfalls.

Over the past several weeks, the economy and our fiscal outlook have continued to deteriorate. The Governor has pledged to take substantive and potentially debilitating budget actions to address the State's growing budget shortfall, while cities throughout the region and nation have begun to implement mid-year cost and service reductions to address plunging revenues. Current estimates for Long Beach's FY 09 General Fund revenue are down approximately \$15.7 million from the adopted budget, a gap created by the falling price of oil and declines in projected sales tax, vehicle license tax, transient occupancy tax, secured property tax and other major General Fund revenues. It is unclear, once holiday sales activity and reassessments of home values are realized, whether these declines will worsen.

To proactively address additional declines in projected General Fund revenue, the following budget measures are recommended effective immediately for all City Manager departments. A copy of this memo is being provided to non-City Manager departments for their consideration in implementing their FY 09 budgets.

City Manager Department Directors
December 9, 2008
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Budget Balancing Strategies

1. **Department Savings Targets.** As in FY 08, City Manager-led departments in the General Fund will be required to end the fiscal year under their adjusted budgets. A savings target of 1-3 percent will be required in addition to the 2.25 percent Attrition Savings built into each department's adopted budget. Unlike in FY 08, this is not a savings target based solely on current vacancies, rather it is a total operational savings target based on each General Fund department's entire adjusted budget. To ensure departments reduce FY 09 spending, all General Fund departments will be forced to reassess planned expenditures for non-core and non-revenue generating activities. This measure will generate an estimated \$6 million from City Manager-led departments. Non-City Manager departments are strongly encouraged to participate. If all General Fund departments participate in this effort, a total of \$6.3 million can be saved in the General Fund in FY 09. Each department will be notified of their respective savings target under separate cover.
2. **Hard Hiring Freeze.** In an effort to facilitate achievement of General Fund savings targets, as well as to maintain vacancies throughout the organization, a hard hiring freeze will be effective immediately. Maintaining vacancies will prevent the organization from providing additional services beyond current levels, and places strain on remaining employees to deliver core services. However, it is necessary given the current economic crisis. To ensure essential positions are filled so that delivery of life and safety services are not impacted, a hiring freeze exemption form will be available for the City Manager's review and approval.
3. **Reduced Department Contracting Authority.** In an effort to reduce expenditures for contracted services, departments' authority to issue contracts and purchase orders without City Manager approval will be lowered by 50 percent, from \$50,000 to \$25,000. This additional oversight will ensure that only critical purchases will be made and available funds encumbered. In addition, the City's Purchasing Officer will closely scrutinize procurement requests under \$25,000 to ensure they are for requested essential services.
4. **Defer State-funded Capital Projects.** The State considers its payments to local governments a lower priority than other current obligations, putting an anticipated \$11.6 million in Gas Tax and Proposition 42 revenues at risk as the Legislature considers FY 09 budget solutions. Therefore, it is recommended that capital projects funded with these resources only be initiated to the extent that revenue is received from the State or until the City gets a better indication that funding for these projects will actually materialize during the fiscal year.

City Manager Department Directors
December 9, 2008
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Beyond the General Fund, the precipitous decline in oil revenues will have a direct impact on the short and long-term status of the Tidelands Fund. Tidelands Oil revenues were budgeted at \$19 million, while current prices have lowered the estimate to \$5.9 million for a potential loss of \$13.1 million. A full review of operations and approved capital projects will be required to identify significant savings to ensure a viable balance in the Fund going forward.

The impacts of the mid-year State budget solutions on the City are still unknown, as the Legislature did not take action during the special session called by the Governor. Given that fact, and based upon the potential solutions discussed during the Legislature's deliberations, the additional General Fund savings generated by these Budget Balancing Strategies of approximately \$6 million, in combination with the original \$14 million of solutions from the October 23, 2008 memo, will provide the City with a much-needed fiscal cushion to address continued downward trends as well as potential State take-aways should they occur.

The Department of Financial Management will closely monitor the situation and should additional measures be required, we will inform you as soon as possible. In addition, as service impacts from these Budget Balancing Strategies are determined and identified, we will provide feedback to the Budget Oversight Committee and the full City Council. If you have any questions, please do not hesitate to call me at extension 8-6427.

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CC: MAYOR AND MEMBERS OF THE CITY COUNCIL
ROBERT SHANNON, CITY ATTORNEY
THOMAS REEVES, CITY PROSECUTOR
LAURA DOUD, CITY AUDITOR
LARRY HERRERA, CITY CLERK
MARIO BEAS, EXECUTIVE DIRECTOR OF CIVIL SERVICE
RICHARD STEINKE, EXECUTIVE DIRECTOR, PORT OF LONG BEACH
KEVIN WATTIER, GENERAL MANAGER, WATER DEPARTMENT
SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD HARRISON, DEPUTY CITY MANAGER
DAVID M. WODYNSKI, MANAGER, BUDGET AND PERFORMANCE MANAGEMENT

Memorandum



City of Long Beach
Working Together to Serve

Date: October 23, 2008
To: Patrick H. West, City Manager *[Signature]*
From: Lori Ann Farrell, Director of Financial Management *[Signature]*
For: Mayor and Members of the City Council
Subject: Economic Impacts on Fiscal Year 2009 Budget

The economic downturn that has long been escalating has now evolved into a crisis impacting all sectors of the economy. Whether it is reduced or lost earnings on investments, unavailability of credit or reduced consumer spending, the likely impacts both the private and public sectors will begin to experience cannot be understated.

The impact to the City, and specifically the General Fund, will be reflected in the primary revenue sources that support the Fund, most of which are susceptible to economic trends. Whether it is property tax, sales tax, transient occupancy tax, utility users tax, vehicle license fees or Uplands Oil revenue, all have been and will continue to be negatively impacted by the economic downturn and this recent global crisis. For example, Uplands Oil revenue is budgeted at \$85/bbl for Fiscal Year 2009 (FY 09), while the price has already dropped to \$60/bbl, posing a potential shortfall of \$5 million in General Fund revenue if it doesn't rebound above \$85/bbl during the year.

Therefore, we must remain vigilant and prudent to stay ahead of this crisis and its impacts. Effective immediately, the following budget measures will be implemented to maintain our balanced fiscal position in the General Fund and to ensure we can continue to provide core municipal services to the community:

1. **All unbudgeted one-time monies will be deposited into the Budget Stabilization Fund.** Shoring up our revenue streams in FY 09 must be a priority. To do so, additional resources must be made available to backfill expected losses in revenue from our primary sources including property tax, sales tax and Uplands Oil revenue to pay for operations and core services. Therefore, monies received from the Sempra settlement (\$6 million), the expected revenue from the General Petroleum location agreement (\$350,000) and any other unbudgeted one-time revenue will be placed immediately in the Budget Stabilization Fund. These one-time resources are currently estimated to total approximately \$6.35 million in FY 09.

Mayor and Members of the City Council
October 23, 2008
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2. **All non-essential budgeted one-time expenses will be placed on hold until further notice.** This action can potentially conserve up to an additional \$8 million in General Fund resources, and make them available to mitigate potential economic impacts on the General Fund. Critical one-times that will still need to occur include \$800,000 for FY 09 elections.
3. **Efficiency measures for FY 10 will be accelerated.** The FY 09 Adopted Budget contains several organizational efficiency efforts that were to be undertaken to generate operational and budgetary savings for FY 10. These efforts include, but are not limited to: contracting-out trades; consolidating technology services, emergency communications, plan check functions and Police Department leases; neutralizing the \$3 million in Museum of Art bond payment if the City has to fund it; and, eliminating non-Charter mandated commissions. These efforts will be initiated immediately in hopes that their successful implementation will generate operational savings, or at a minimum service improvement, during the current fiscal year.
4. **A mandatory five-day employee furlough will be explored.** It is estimated that a one-week furlough on non-public safety and non-critical employees would save approximately \$700,000 - \$900,000 in the General Fund in FY 09. While this action is certainly a meet-and-confer issue with the employee bargaining units, and would represent an approximately 2 percent salary reduction for participating employees, we hope for the full cooperation of all unions in finding a unified solution to our current challenges.
5. **Maintaining the freeze on management hiring, out-of-state travel, purchase of tables at community events and non-essential spending.** These measures were put into effect in November 2007 as a measure of creating savings for employee negotiations and the challenges of a slowing economy. These same measures will ensure a prudent approach to our available resources.

We consider these the first in a series of measures that all departments should undertake, and that all departments within the General Fund should embrace to ensure a balanced budget. It is anticipated that in aggregate, up to \$14 million in one-time savings and resources will be earmarked to help us manage our way through the economic challenges facing the City. While this may seem like a significant sum of money, we must keep in mind that it only represents approximately 3.4 percent of the total General Fund budget or only two weeks of General Fund expenses.

Mayor and Members of the City Council
October 23, 2008
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It is my hope that additional, more draconian measures will not be required, including mid-year budget cuts; however, until there is a better sense of how the economy will continue to trend, it is unclear as to whether the above-mentioned actions will suffice. We have asked department directors to be prepared to engage in such discussions and provide recommendations if/when they are needed. I am fully confident that Long Beach will act in a proactive, fiscally sound and responsible manner during this financial crisis, no matter the duration.

If you have any questions, please do not hesitate to call me at extension 8-6427.

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CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD HARRISON, DEPUTY CITY MANAGER
ROBERT SHANNON, CITY ATTORNEY
THOMAS REEVES, CITY PROSECUTOR
LAURA DOUD, CITY AUDITOR
DEPARTMENT HEADS

FY 09 Revenue Projections

Revenue	FY 09 Adopted Budget	FY 09 ETC	Increase/ (Decrease) Over Adopted Budget
Upland Oil Transfer	18,857,471	9,318,000	(9,539,471)
Sales and Use Tax	41,918,211	39,000,000	(2,918,211)
Vehicle License Fee	2,244,000	770,000	(1,474,000)
Property Tax	76,600,500	75,314,000	(1,286,500)
Transient Occupancy Tax	9,180,000	8,470,000	(710,000)
All Other	256,268,930	256,434,634	165,704
Total	405,069,112	389,306,634	(15,762,478)

Fiscal Year 2010 Budget Development Principles

1. City Must Prioritize Investments in Core Services
2. Solutions Should Reflect Multi-year Approach
3. Continue to Reassess How the City Provides Services
 - a. Contract-out
 - b. Modernize Business Models
 - c. Sustainable Practices/Conservation
 - d. Streamline Business Processes
 - e. Internal Service Cost Controls
 - f. Alternate Funding Sources
4. All City Manager Departments Must Participate in Solutions
5. All Employees Must Contribute Directly to Solutions
6. Cost Recovery and Revenue Development Must Continue